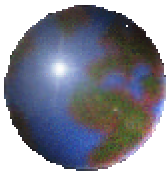


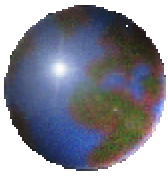
# *INTERCARRIER COMPENSATION*

July 16, 2003



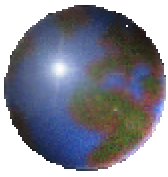
# *Discussion Points*

- ✚ What is Intercarrier Compensation?
- ✚ ITTA position
  - ▣ 3 vs. 2 Revenue Streams
  - ▣ Pay to Play
  - ▣ Comparability / Comprehensive
  - ▣ Universal Service
  - ▣ Transition
- ✚ Diagrams



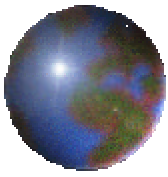
# *What is Intercarrier Compensation?*

- ✚ IC is all forms of carrier to carrier arrangements/settlements
- ✚ Current arrangements
  - ▣ Access (Switched and Special)
    - ILEC's, RBOC's, IXC's, CLEC's, Wireless
  - ▣ Reciprocal Compensation
    - CLEC's, Wireless, Paging



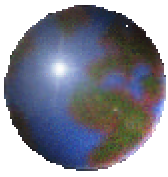
## *Why change, why now?*

- ✚ To keep telecommunications affordable for end users
- ✚ To enable infrastructure investment for advanced services



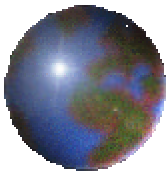
# *Forces Behind Change*

- ✦ Need to attain Competitive Neutrality for all modes of communication
- ✦ Existing Arbitrage
  - ▣ Interstate versus Intrastate
  - ▣ Local versus Access (Special & Switched)
  - ▣ Information Service versus Voice traffic
  - ▣ Non-regulated versus Regulated
- ✦ Competitive pressures
  - ▣ Wireless
  - ▣ CATV – Voice, Data, Video
  - ▣ VOIP



## *Potential Solutions-Intercarrier Compensation*

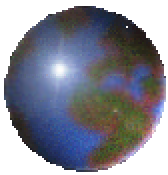
- ✚ Bill & Keep, non-access
- ✚ Fixed charge or capacity-based charge
- ✚ Tertiary/cost-based access rates



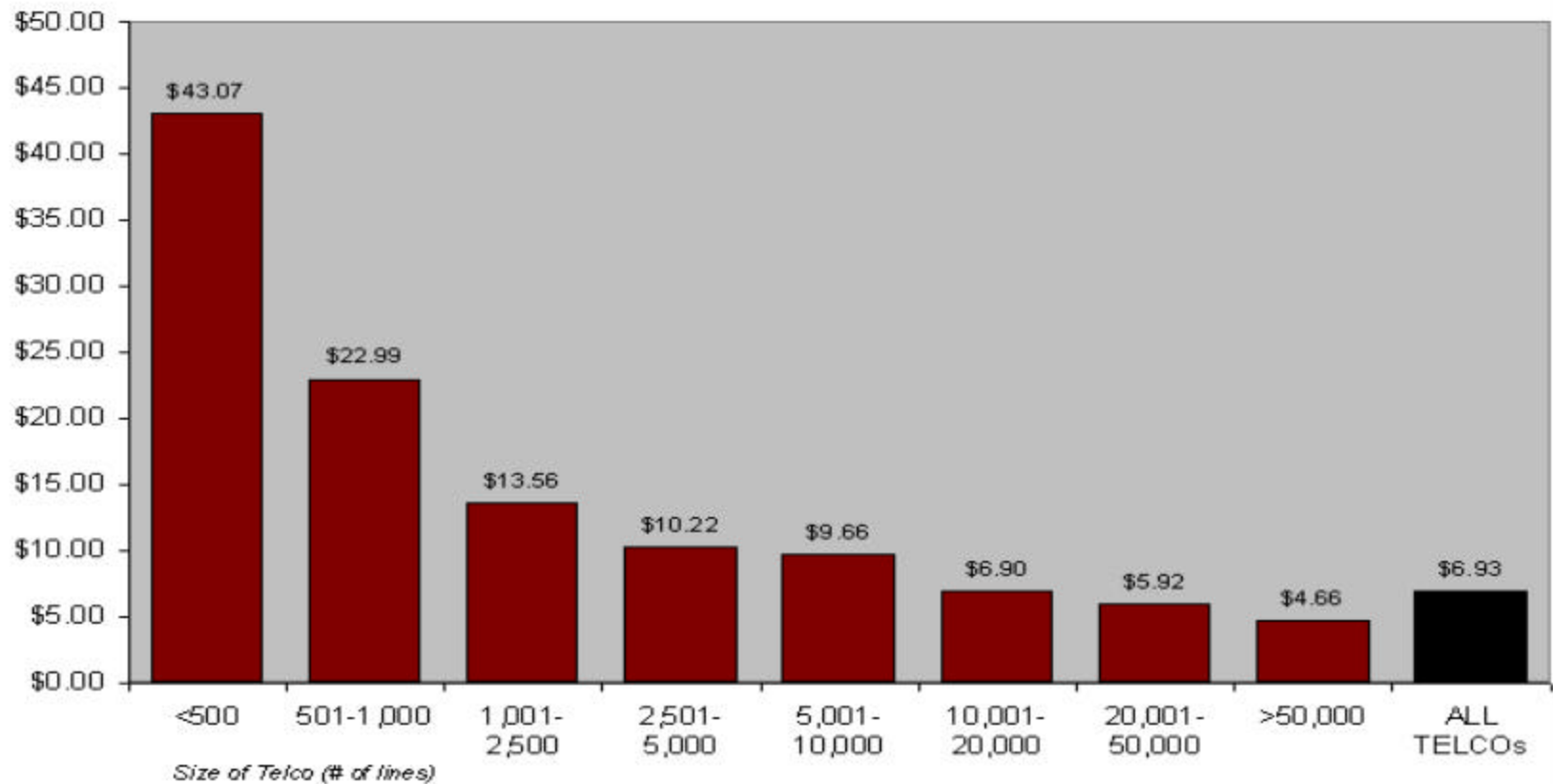
# *ITTA Position*

## ✚ 3 vs. 2 Revenue Streams

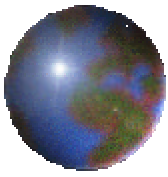
- ❏ Currently have End User, Intercarrier Compensation and Universal Service
- ❏ Most mid-size companies receive over 25% of their ILEC revenues from IC & US
- ❏ Consumer benefit : assure the cost of de-regulation does not unduly impact end-users
- ❏ Assuring the sufficiency of USF is a pre-condition of any access charge reform
  - Broaden the base
  - Establish appropriate distribution system



**IMPACT OF INTERSTATE BILL AND KEEP  
ON RURAL AND INDEPENDENT CUSTOMERS**  
(\$/line/month)

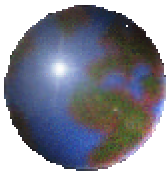






## *ITTA Position (cont'd)*

- ✦ Pay to Play
  - Should not allow any provider to utilize the wholesale services needed to originate or terminate on a carrier's network when there is no associated compensation (including ISP's)
  - The elimination of access charges voids any financial benefit to providers to establish a point of presence beyond the tandem
- ✦ Comparability / Comprehensive
  - Not all markets are alike
  - Alternative approach to Bill & Keep



# *ITTA Position (cont'd)*

## ✚ Universal Service

- ✚ The stability of current universal service fund must be assured before any intercarrier comp reform can occur
  - Tighten ETC processes
  - Expand contribution base
  - Fix contributions methodology problem
  - Support networks, not lines

## ✚ Transition - To Alternative to Bill & Keep

- ✚ Reasonable period which can be accommodated within individual company business plans